Risk Factors Comparison 2023-05-09 to 2022-05-09 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

INDEX TO RISK FACTORS SectionPageLitigation and Regulatory Risks14Company and Operational Risks 16Industry and Economic Risks21General Risks24 The discussion below identifies certain representative risks that might cause our actual business results to materially differ from our estimates. It is not practical to identify or describe all risks and uncertainties that might materially impact our business operations, reputation, financial position, or results of operations. Our business could be materially affected by risks that we have not yet identified or that we currently consider to be immaterial. This is not a complete statement of all potential risks and uncertainties. ~~McKESSON CORPORATION Litigation and Regulatory Risks~~ We experience costly and disruptive legal disputes. We are routinely named as a defendant in litigation or regulatory proceedings and other legal disputes, which may include asserted class action litigation, such as those described in Financial Note ~~18~~ **17** , " Commitments and Contingent Liabilities, " to the consolidated financial statements **included** in this Annual Report. Regulatory proceedings involve allegations such as false claims, healthcare fraud and abuse, and antitrust violations. Civil litigation proceedings involve commercial, employment, environmental, intellectual property, tort, and other claims. Despite valid defenses that we assert, legal disputes are often costly, time- consuming, distracting to management **,** and disruptive to normal business operations. The uncertainty and expense associated with unresolved legal disputes might harm our business and reputation even if the matter ultimately is favorably resolved. The outcome of legal disputes is difficult to predict ~~.~~ **, and** ~~Outcomes~~ **outcomes** ~~can~~ **may** occur that **we believe** are not justified by the evidence or existing law. Outcomes include monetary damages, penalties and fines, and injunctive or other relief that requires us to change our business operations and incur significant expense. Accordingly, legal disputes might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations. **Item 1A IndexMcKESSON CORPORATION** We might experience losses not covered by insurance or indemnification. Our business exposes us to risks that are inherent in the distribution, manufacturing, dispensing **,** and administration of pharmaceuticals and medical- surgical supplies, the provision of ancillary services, the conduct of our payer businesses **,** and the provision of products that assist clinical decision- making and relate to patient medical histories and treatment plans. For example, pharmacy operations are exposed to risks such as improper filling of prescriptions, mislabeling of prescriptions, inadequacy of warnings, unintentional distribution of counterfeit drugs, and expiration of drugs. Although we seek to maintain adequate insurance coverage, such as property insurance for inventory and professional and general liability insurance, coverages on acceptable terms might be unavailable, or coverages might not cover our losses. We generally seek to limit our contractual exposure, but limitations of liability or indemnity provisions in our contracts may not be enforceable or adequately protect us from liability. Uninsured losses might have a materially adverse impact on our business operations and our financial position or results of operations. We experience costly legal disputes, government actions, and adverse publicity regarding our role in distributing controlled substances such as opioids. The Company is a defendant in many litigation matters alleging claims related to the distribution of controlled substances (opioids), as described in Financial Note ~~18~~ **17** , " Commitments and Contingent Liabilities, " to the consolidated financial statements in this Annual Report. We ~~regularly~~ are **sometimes** named as a defendant in similar, new cases. The plaintiffs in those cases include governmental entities (such as states, provinces, counties, and municipalities) as well as businesses, groups **,** and individuals. The cases allege violations of controlled substance laws and other laws, and they make common law claims such as negligence and public nuisance. Many of these cases raise novel theories of liability **and** ~~. Any proceedings~~ can have unexpected outcomes that **we believe** are not justified by evidence or existing law. Legal proceedings such as these often involve significant expense, management time and distraction, and risk of loss that can be difficult to predict or quantify. It is not uncommon for claims to be resolved over many years. Outcomes include monetary damages, penalties and fines, and injunctive or other relief that requires us to change our business operations and incur significant expense. Although the Company has valid defenses and is vigorously defending itself, some proceedings have been and others may be resolved by negotiated outcome. **For example, we are also subject to consent decrees issued by state courts that govern our distribution of controlled substances.** Not all proceedings, however, are resolved by settlement. Our reputation has been and may continue to be impacted by publicity regarding ~~the~~ **opioids** litigation and related allegations. ~~The~~ **An** adverse outcome of **any such** legal proceedings might have a materially adverse impact on our business operations and our financial position or results of operations. We might experience increased costs to distribute controlled substances such as opioids. Legislative, regulatory, or industry measures related to the distribution of controlled substances such as prescription opioids could affect our business in ways that we may not be able to predict. For example, some states have passed legislation that could require us to pay taxes or assessments on the distribution of opioid medications in those states and other states have considered similar legislation. Liabilities for taxes or assessments or other costs of compliance under any such laws might have a materially adverse impact on our reputation, **our** business operations, and our financial position or results of operations. We are subject to extensive, complex **,** and challenging healthcare **, environmental,** and other laws. ~~Our~~ **As described in " Government Regulation " in Item 1 of Part I above, our** industry is highly regulated, and further regulation of our distribution businesses and technology products and services could impose increased costs, negatively impact our profit margins and the profit margins of our customers, delay the introduction or implementation of our new products, or otherwise negatively impact our business and expose the Company to litigation and regulatory investigations. ~~For example~~ **We incur cleanup costs under environmental laws and may incur additional costs under environmental laws. Additionally** , we are subject to ~~many environmental and hazardous materials regulations, including those relating to radiation- emitting equipment operated at U. S. Oncology Network practices. Additionally, we are~~

~~subject to~~ various routine ~~agency~~ and ad hoc inspections by government agencies to determine compliance with various statutes and regulations. Any noncompliance by us with applicable laws or the failure to maintain, renew **,** or obtain necessary permits and licenses could lead to enforcement actions or litigation and might have a materially adverse impact on our business operations and our financial position or results of operations. We are subject to extensive and frequently changing laws relating to healthcare fraud, waste **,** and abuse. **As described in " Government Regulation " in Item 1 of Part I above,** ~~Federal~~ **federal** , state, and local governmental entities in the U. S. and elsewhere continue to strengthen their position and scrutiny over practices that may indicate fraud, waste **,** and abuse affecting government healthcare programs such as Medicare and Medicaid. ~~Our relationships with companies and individuals including pharmaceutical and medical surgical product manufacturers and healthcare providers, as well as our provision of products and services to government entities, subject our business to statutes, regulations, or government guidance that are intended to prevent fraud, waste, and abuse. Among other things, those laws: (1) prohibit persons from soliciting, offering, receiving, or paying any remuneration in order to induce the referral of a patient for treatment or to induce the ordering or purchasing of items or services that are in any way paid for by Medicare, Medicaid, or other government- sponsored healthcare programs; (2) impose many restrictions upon referring physicians and providers of designated health services under Medicare and Medicaid programs; and (3) prohibit the knowing submission of a false or fraudulent claim for payment to, and knowing retention of an overpayment by, a federal healthcare program such as Medicare and Medicaid. Many of these laws, including those relating to marketing incentives, are vague or indefinite and have not been interpreted by the courts, regulators, or enforcing agencies.~~ Those laws may be interpreted or applied in a manner that could require us to make changes in our operations at added expense. Failures to comply with those laws **, including the federal Anti-Kickback Statute,** ~~exposes~~ **expose** us to federal or state government investigations or qui tam actions, and to liability for damages and civil and criminal penalties. Such failures might result in the loss of licenses or our ability to participate in Medicare, Medicaid **,** or other federal and state healthcare programs **, or pursue government contracts** . These sanctions might have a materially adverse impact on our business operations and our financial position or results of operations. We might lose our ability to purchase, compound, store **,** or distribute pharmaceuticals and controlled substances. ~~We~~ **As described in " Government Regulation " in Item 1 of Part I above, we** are subject to the operating and security standards of the DEA, the FDA, various state boards of pharmacy, state health departments, the CMS, and other comparable agencies ~~. Certain of our businesses may be required to register for permits and / or licenses with, and comply with operating and security standards of, the DEA, FDA, CMS, various state boards of pharmacy, state health departments and / or comparable state agencies as well as foreign agencies and certain accrediting bodies, depending upon the type of operations and location of product development, manufacture, distribution, and sale. For example, we are required to hold valid DEA and state- level registrations and licenses, meet various security and operating standards, and comply with the Controlled Substances Act and its accompanying regulations governing the sale, marketing, packaging, holding, distribution, and disposal of controlled substances~~ . Noncompliance with these requirements results in monetary penalties and / or licensing sanctions. **Any inability** ~~If we are not able~~ to obtain, maintain, or renew permits, licenses, or other regulatory approvals needed for the operation of our businesses ~~, it~~ might have a materially adverse impact on our business operations and our financial position or results of operations. Privacy and data protection laws increase our compliance burden. ~~We~~ **As described in " Government Regulation " in Item 1 of Part I above, we** are subject to a variety of privacy and data protection laws that change frequently and have requirements that vary from jurisdiction to jurisdiction. ~~For example, under HIPAA we must maintain administrative, physical, and technological safeguards for protected health information and ensure the confidentiality, integrity, and availability of electronic protected health information. We are subject to significant compliance obligations under privacy laws such as the GDPR in the E. U., the PIPEDA in Canada, and an expanding list of comprehensive state privacy laws in the United States, including the CCPA in California. Some privacy laws prohibit the transfer of personal information to certain other jurisdictions or otherwise limit our use of data. Many of these laws also require us to provide access or other data rights (modification, deletion, portability, etc.) to consumers' and patients' individual personal data records within specified periods of time. Laws such as the federal Cyber Incident Reporting for Critical Infrastructure Act of 2022 may require us to provide notifications of significant data privacy breaches or cybersecurity incidents before our investigations are complete. We are subject to privacy and data protection compliance audits or investigations by various government agencies.~~ Failure to comply with these laws subjects us to potential regulatory enforcement activity, fines, private litigation including class actions, reputational impacts, and other costs. We also have contractual obligations that might be breached if we fail to comply with privacy and data security laws. Our efforts to comply with privacy **and data security** laws ~~complicates~~ **complicate** our operations and ~~adds~~ **add** to our costs. A significant privacy breach or failure to comply with privacy and data security laws might have a materially adverse impact on our reputation, **our** business operations, and our financial position or results of operations. Anti- bribery and anti- corruption laws increase our compliance burden. We are subject to laws prohibiting improper payments and bribery, including the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act **,** and similar regulations in other jurisdictions ~~. The U. K. Bribery Act, for example, prohibits both domestic and international bribery, as well as bribery across both private and public sectors. An organization that fails to prevent bribery committed by anyone associated with the organization can be charged under the U. K. Bribery Act unless the organization can establish the defense of having implemented adequate procedures to prevent bribery~~ . Our failure to comply with these laws might subject us to civil and criminal penalties that might have a materially adverse impact on our reputation, **our** business operations **,** and our financial position or results of operations. ~~Company and Operational Risks~~ We might record significant charges from impairment to goodwill, intangibles **,** and other **long- lived** assets ~~or investments~~ . We are required under U. S. Generally Accepted Accounting Principles (" GAAP ") to test our goodwill for impairment annually or more frequently if indicators for potential impairment exist. Indicators that are considered include significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, or a significant decline in the Company' s stock price and / or market capitalization for a

sustained period of time. In addition, we periodically review our intangible and other long- lived assets for impairment when events or changes in circumstances, such as a divestiture, indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible and other long- lived assets may not be recoverable include slower growth rates, the loss of a significant customer, burdensome new laws **,** or divestiture of a business or asset for less than its carrying value. There are inherent uncertainties in management' s estimates, judgments **,** and assumptions used in assessing recoverability of goodwill, ~~intangible~~ **intangibles** , and other long- lived assets. Any material changes in key assumptions, including failure to meet business plans, negative changes in government reimbursement rates, a deterioration in the U. S. and global financial markets, an increase in interest ~~rate~~ **rates , an increase in inflation,** or an increase in the cost of equity financing by market participants within the industry **,** or other unanticipated events and circumstances, may decrease the projected cash flows or increase the discount rates and could potentially result in an impairment charge ~~. For example, the COVID- 19 pandemic has disrupted the global economy and exacerbated uncertainties inherent in estimates, judgments and assumptions used in our forecasts and impairment assessments~~ . We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible and other long- lived assets is determined, which might have a materially adverse impact on our business operations and our financial position or results of operations. We experience cybersecurity incidents that might significantly compromise our technology systems or might result in material data breaches. We, our external service providers, and other third parties with which we do business **,** use technology and systems to perform our business operations, such as the secure electronic transmission, processing, storage **,** and hosting of sensitive information, including protected health information and other types of personal information, confidential financial information, proprietary information, and other sensitive information relating to our customers, company **,** and workforce. Despite physical, technical, and administrative security measures, technology systems and operations of the Company and third parties with which we do business are subject to cyberattacks and cybersecurity incidents. Cybersecurity incidents include unauthorized occurrences on or conducted through our information systems, such as tampering, malware insertion, ransomware attacks, or other system integrity events. The risk of cyberattacks increases from time to time due to a variety of internal and external factors, including during political **tensions, military** conflicts **,** or **civil** unrest. A cybersecurity incident might involve a material data breach or other material impact to the confidentiality, integrity, availability, and operations of our technology systems or data, which might result in injury to patients or consumers, litigation or regulatory action, disruption of our business operations, loss of customers or revenue, and increased expense, any of which might have a materially adverse impact on our business, **our** reputation, and our financial position or results of operations. We might experience significant problems with information systems or networks. We rely on sophisticated information systems and networks to perform our business operations, such as to obtain, rapidly process, analyze, and manage data that facilitate the purchase and distribution of thousands of inventory items from distribution centers. We provide remote services that involve hosting customer data and operating software on our own or third- party systems. Our customers rely on their ability to access and use these the systems and their data as needed. The networks and hosting systems are vulnerable to interruption or damage from sources beyond our control, such as power loss, telecommunications failures, fire, natural disasters, **including as a result of climate change,** software and hardware failures **,** and cybersecurity incidents. If those information systems or networks suffer errors, interruptions, or become unavailable, or if the timely delivery of medical care or other customer business requirements are impaired by data access, network, or systems problems, we might experience injury to patients or consumers, litigation or regulatory action, disruption of our business operations, loss of customers or revenue, and increased expense. Any such problems might have a materially adverse impact on our business, **our** reputation, and our financial position or results of operations. Our **technology** products or services might not conform to specifications or perform as we intend. We sell and provide services involving complex software and technology that may contain errors, especially when first introduced to market. Healthcare professionals delivering patient care tend to have heightened sensitivity to system and software errors. If our software and technology services are alleged to have contributed to faulty clinical decisions or injury to patients, we might be subject to claims or litigation by users of our software or services or their patients. Errors or failures might damage our reputation and negatively affect future sales. A failure of a system or software to conform to specifications might constitute a breach of warranty that could result in repair costs, contract termination, refunds of amounts previously paid, or claims for damages. Any of these types of errors or failures might have a materially adverse impact on our reputation, **our business operations, and our financial position or results of operations. Pharmaceutical and medical products that we distribute might not conform to specifications or perform as intended. We distribute pharmaceutical and medical products manufactured by third parties and by our private label generic pharmaceutical business, including medications that may be temperature sensitive and have limited shelf lives. Our systems are designed to maintain the safety and efficacy of the products throughout the distribution process. Issues affecting product efficacy or safety can arise from manufacturing, storing, distributing, dispensing or using products, and can result in safety alerts, recalls, regulatory action, civil lawsuits, fines or other sanctions, and reputational damage. Any of these types of issues or results might have a materially adverse impact on our reputation, our** business operations, and our financial position or results of operations. We might not realize expected benefits from business process initiatives. We may implement restructuring, cost reduction **,** or other business process initiatives that might result in ~~extraordinary~~ **significant** charges and expenses, failures to achieve our desired objectives, or unintended consequences such as distraction of our management and employees, business disruption, attrition beyond any planned reduction in workforce, inability to attract or retain key personnel and reduced employee productivity. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. We might be unable to successfully complete or integrate acquisitions or other business combinations. Our growth strategy includes consummating acquisitions or other business combinations that either expand or complement our business. To fund acquisitions, we may require financing that may not be available on acceptable terms. We may not receive

regulatory approvals needed to complete proposed transactions, or such approvals may be subject to delays or conditions that reduce transaction benefits. Achieving the desired outcomes of business combinations involves significant risks including: diverting management' s attention from other business operations; challenges with assimilating the acquired businesses, such as integration of operations and systems; failure or delay in realizing operating synergies; difficulty retaining key acquired company personnel; unanticipated accounting or financial systems issues with the acquired business, which might affect our internal controls over financial reporting; unanticipated compliance issues in the acquired business; challenges retaining customers of the acquired business; unanticipated expenses or charges to earnings, including depreciation and amortization or potential impairment charges; and risks of known and unknown assumed liabilities in the acquired business. Any of these risks could adversely affect our ability to achieve the anticipated benefits of an acquisition and might have a materially adverse impact on our business operations and our financial position or results of operations. Exclusive forum provisions in our Bylaws could limit our stockholders' ability to choose their preferred judicial forum for disputes with us or our directors, officers **,** or employees. Our amended and restated bylaws provide that, unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for specified legal actions is the Court of Chancery of the State of Delaware or the United States District Court for the District of Delaware if the Court of Chancery does not have or declines to accept jurisdiction (collectively, " Delaware Courts "). Current and former stockholders are deemed to have consented to the personal jurisdiction of the Delaware Courts in connection with any action to enforce that exclusive forum provision and to service of process in any such action. These provisions of the bylaws are not a waiver of, and do not relieve anyone of duties to comply with, federal securities laws including those specifying the exclusive jurisdiction of federal courts under the Exchange Act and concurrent jurisdiction of federal and state courts under the Securities Act. To the extent that these provisions of the bylaws limit a current or former stockholder' s ability to select a judicial forum other than the Delaware Courts, they might discourage the specified legal actions, might cause current or former stockholders to incur additional litigation- related expenses **,** and might result in outcomes unfavorable to current or former stockholders. A court might determine that these provisions of the bylaws are inapplicable or unenforceable in any particular action, in which case we may incur additional litigation related expenses in such action, and the action may result in outcomes unfavorable to us, which could have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations. We might be adversely impacted by delays or other difficulties with divestitures ~~. In July 2021, we announced our intention to exit our businesses in Europe. Refer to Financial Note 2, " Held for Sale, " to the accompanying consolidated financial statements included in this Annual Report for information on our European divestiture activities~~ . When we decide to sell assets or a business, we may encounter difficulty in finding buyers or exit strategies on acceptable terms or in a timely manner, which could delay the achievement of our strategic objectives. After the disposition, we might experience greater dissynergies than expected, and the impact of the divestiture on our revenue or profit might be larger than we expected. We might have difficulties with pre- closing conditions such as regulatory and governmental approvals, which could delay or prevent the divestiture. We might have financial exposure in a divested business, such as through minority equity ownership, financial or performance guarantees, indemnities **,** or other obligations, such that conditions outside of our control might negate the expected benefits of the disposition. Any of these risks could adversely affect our ability to achieve the anticipated benefits of a divestiture and might have a materially adverse impact on our business operations and our financial position or results of operations. We might not realize the expected tax treatment from our split- off of Change Healthcare. On March 10, 2020, the Company completed a separation of its interest in Change Healthcare LLC (" Change Healthcare JV "). The divestiture was effected through the split- off of PF2 SpinCo, Inc. (" SpinCo "), a wholly owned subsidiary of the Company that held all of the Company' s interest in the Change Healthcare JV, to certain of the Company' s stockholders through an exchange offer (the " Exchange Offer "), followed by a merger of SpinCo with and into Change Healthcare Inc. (" Change "), with Change surviving the merger (the " Merger " and, together with the Exchange Offer, the " Transactions "). The Company received an opinion from outside legal counsel to the effect that the Transactions qualified as generally tax- free transactions to the Company and its shareholders for U. S. federal income tax purposes. An opinion of legal counsel is not binding on the Internal Revenue Service (the " IRS ") or the courts, and the IRS or the courts may not agree with the intended tax- free treatment of the Transactions. In addition, the opinion could not be relied upon if certain assumptions, representations, and undertakings upon which the opinion was based are materially inaccurate or incomplete, or are violated in any material respect. If the intended tax- free treatment of the Transactions is not sustained, the Company and its stockholders who participated in the Transactions may be required to pay substantial U. S. federal income taxes. In connection with the Transactions, the Company, SpinCo, Change, and the Change Healthcare JV entered into the Tax Matters Agreement, which governs their respective rights, responsibilities, and obligations with respect to tax liabilities and benefits, tax attributes, tax contests, and other tax sharing regarding U. S. federal, state, and local, and non- U. S. taxes, other tax matters, and related tax returns. Under the Tax Matters Agreement, Change is required to indemnify the Company if the Transactions become taxable as a result of certain actions by Change or SpinCo, or as a result of certain changes in ownership of the stock of Change after the Merger. If Change does not honor its obligations to indemnify the Company, or if the Transactions fail to qualify for the intended tax- free treatment for reasons not related to a disqualifying action by Change or SpinCo, the resulting tax to the Company could have a significant adverse effect on our financial position or results of operations. We might be adversely impacted by outsourcing or similar third- party relationships. We rely on third parties to perform certain business and administrative functions for us. We might not adequately develop, implement **,** and monitor these outsourced service providers, and we might not realize expected cost savings or other benefits. Third- party services providers might fail to perform as anticipated, **may** ~~or we might~~ experience ~~unanticipated~~ **cybersecurity incidents, or might cause us to incur** operational difficulties, **additional** compliance requirements **,** or increased costs related to outsourced services. For example, our ability to use outsourcing resources in certain jurisdictions might be limited by legislative action or customer contracts, with the result that the work must be performed at greater expense or we may be subject to sanctions for non- compliance. Any of these risks might

have a materially adverse impact on our business operations and our financial position or results of operations. We may be unsuccessful in achieving our strategic growth objectives. Our business strategy **as** ~~to become~~ a diversified healthcare services company includes investing to build an integrated oncology service business and expand our biopharma services business. Our ability to grow those businesses will depend on our: hiring and retaining talented individuals with necessary knowledge and skills; acquiring, developing, and implementing new technologies and capabilities; forming and expanding business relationships; and successfully competing against providers of similar services. Some competitors have more experience than we do in enabling technologies such as data analytics. We may not achieve our desired return on our investments through our growth strategies. If we fail to achieve acceptable sales and profitability in our strategic growth areas, it might have a materially adverse impact on our business prospects and our financial position or results of operations. ~~Our business strategy included expanding our retail pharmacy operations. Our retail pharmacy operations involve numerous risks, such as the following ones. We might encounter difficulties attracting and retaining customers to our retail locations due to their unfamiliarity with our brands or our inexperience with local market preferences. Competition from our retail pharmacy operations might strain relationships with our retail pharmacy customers. Consolidation of retail pharmacies with third- party payers, expansion of large retail pharmacy networks, reductions in reimbursement rates, shifts in the mix of branded and generic pharmaceutical sales, and exclusion from preferred pharmacy networks can impair our retail pharmacy sales and profitability. Failure to maintain profitable retail pharmacy operations may result in significant costs, including those associated with site closures and reductions in workforce. We incur long- lived asset impairments related to our retail pharmacy networks. If our retail pharmacy operations fail to achieve, or are unable to sustain, acceptable net sales and profitability levels, it might have a materially adverse impact on our business operations and our financial position or results of operations.~~ We might be harmed by large customer purchase reductions, payment defaults **,** or contract non- renewal. We derive a significant portion of our revenue from, and have a significant portion of our accounts receivable with, a small number of customers. At March 31, ~~2022~~ **2023** , sales to our largest customer represented approximately **27 % of our total consolidated revenues and approximately** 21 % of our **total** ~~consolidated revenues and approximately 28 % of our~~ trade receivables, and those of our ten largest customers combined accounted for approximately ~~52~~ **68** % of our consolidated revenues and approximately ~~43~~ **42** % of our trade receivables **. Refer to " Other Information about the Business " in Item 1 of Part I above for additional details on our customers** . A material default in payment, reduction in purchases, or the loss of business from a large customer might have a materially adverse impact on our business operations and our financial position or results of operations. Our contracts with government entities involve future funding and compliance risks. Our contracts with government entities are subject to risks such as lack of funding and compliance with unique requirements. For example, government contract purchase obligations are typically subject to the availability of funding, which may be eliminated or reduced. In addition, the future volume of products or services purchased by a government customer is often uncertain. Our government contracts might not be renewed or might be terminated for convenience with little prior notice. Government contracts typically expose us to higher potential liability than do other types of contracts. In addition, government contracts typically are subject to procurement laws that include socio- economic, employment practices, environmental protection, recordkeeping and accounting **,** and other requirements. For example, our contracts with the U. S. government generally require us to comply with the Federal Acquisition Regulations, Procurement Integrity Act, Buy American Act, Trade Agreements Act, and other laws and regulations. We are subject to government audits, investigations **,** and oversight proceedings. Government agencies routinely review and audit government contractors to determine whether they are complying with contractual and legal requirements. If we fail to comply with these requirements, or we fail an audit, we may be subject to various sanctions such as monetary damages, criminal and civil penalties, termination of contracts **,** and suspension or debarment from government contract work. These requirements complicate our business and increase our compliance burden. The occurrence of any of these risks could harm our reputation and might have a materially adverse impact on our business operations and our financial position or results of operations. Our participation in vaccination distribution programs may materially affect our operating results, reputation, and business. ~~We~~ **Our** ~~participate~~ **participation** as a distributor in government- sponsored vaccination programs, such as the U. S. government' s COVID- 19 distribution **and related ancillary supply kit** ~~program (" Federal COVID- 19 Response "). We also provide supplies used for vaccine administration in the Federal COVID- 19 Response. Our participation in such~~ programs **,** exposes us to various uncertainties. For example ~~, the novel nature and rapid mutation of the SARS- CoV - 2 virus~~ , the changing distribution scope of COVID- 19 vaccines, **consumer demand,** supply chain stability, ~~inflation, and the effectiveness of other COVID- 19 transmission mitigation measures introduce uncertainty about what volumes of vaccines and related supplies may be distributed by us, the safety and efficacy of newly developed vaccines,~~ and the cost of distribution **subject** ~~. Because of such uncertainties,~~ our operating results ~~may be subject~~ to variability. Our participation in such programs also exposes us to various risks, including regulatory compliance, government oversight, dependence on government funding, contractual performance, litigation, security risks, and supply chain challenges. Any significant problems with our participation in such programs might have a materially adverse impact on our reputation and our business. Because of these risks and uncertainties **,** our operating results may be materially higher or lower than our projections. We might be harmed by changes in our relationships or contracts with suppliers. We attempt to structure our pharmaceutical distribution agreements with manufacturers to ensure that we are appropriately and predictably compensated for the services we provide. Certain distribution agreements with manufacturers include pharmaceutical price inflation as a component of our ~~compensation~~ **consideration** , and we cannot control the frequency or magnitude of pharmaceutical price changes **. Laws limiting or reducing pharmaceutical prices may impact our distribution agreements** . We might be unable to renew pharmaceutical distribution agreements with manufacturers in a timely and favorable manner. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. We might infringe intellectual property rights or our intellectual property protections might be inadequate. We believe that our products and services do not infringe the proprietary rights of third parties, but third parties have asserted infringement claims against us

and may do so in the future. If a court were to hold that we infringed other' s rights, we might be required to pay substantial damages, develop non- infringing products or services, obtain a license, stop selling or using the infringing products or services, or incur other sanctions. We rely on trade secret, patent, copyright, and trademark laws, nondisclosure obligations, and other contractual provisions and technical measures to protect our proprietary rights in our products and solutions. We might initiate costly and time- consuming litigation to protect our trade secrets, to enforce our patent, copyright **,** and trademark rights and to determine the scope and validity of the proprietary rights of others. Our intellectual property protection efforts might be inadequate to protect our rights. Our competitors might develop non- infringing products or services equivalent or superior to ours. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. Our use of third- party data is subject to limitations that could impede the growth of our data services business. We attempt to structure our diligence processes to satisfy contractual and other operative data usage rights and limitations associated with customer, **industry** ~~partner~~ **partners** , and other third- party data flowing through our businesses. These rights and limitations can apply to ~~both~~ confidential commercial data and personal data provided to us ~~by these customers, partners, and other third parties~~ . Failure to satisfy these data usage rights and limitations can lead to ~~contractual breach and other~~ legal claims **such as contractual breaches** or ~~reputational impacts~~ **privacy law violations** . If a court were to hold that ~~we violated these contractual~~ **our use of data is not consistent with our** rights **and limitations** , we might be required to pay substantial damages; we may need to stop using, sharing, and / or selling certain products and services; or we could incur other financial, legal, and / or reputational consequences. In addition, in order to reach our data strategy growth objectives, we might be unable to obtain at an acceptable cost the data usage rights needed to advance such goals. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. We might be unable to successfully recruit and retain qualified employees. Our ability to attract, engage, develop, and retain qualified and experienced employees, including key executives and other talent, is essential for us to meet our objectives. We compete with many other businesses to attract and retain employees. Competition among potential employers results in increased salaries, benefits, or other employee- related costs, or in our failure to recruit and retain employees. We may experience sudden loss of key personnel due to a variety of causes, such as illness, and must adequately plan for succession of key management roles. Employees might not successfully transition into new roles. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. ~~Industry and Economic Risks~~ We might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models. Many of our products and services are designed and intended to function within the structure of current healthcare financing and reimbursement systems. The healthcare industry and related government programs are changing. Some of these changes increase our risks and create uncertainties for our business. For example, some changes in reimbursement methodologies (including government rates) for pharmaceuticals, medical treatments, and related services reduce profit margins for us and our customers and impose new legal requirements on healthcare providers. Those changes have included cuts in Medicare and Medicaid reimbursement levels, changes in the basis for payments, **shifts** ~~shifting away~~ from fee- for- service ~~and~~ **pricing** towards value- based payments and risk- sharing models, and increases in the use of managed care. In the U. S., the ACA significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payers. ~~There have been continued efforts~~ **Enactment of the IR Act and its implementation over the next several years is anticipated** to **bring meaningful** ~~challenge~~ --- **changes** ~~the ACA. There~~ **in how Medicare pays for drugs and various benefit design changes, which** are **all intended** ~~also efforts to broaden healthcare coverage. U. S. lawmakers also have explored proposals~~ to reduce **the** ~~drug prices, including requiring greater~~ price ~~transparency, enabling Medicare~~ **of drugs. Three central features of the IR Act would authorize the government** to ~~directly~~ negotiate drug prices ~~,~~ **for certain Parts B** and **D** ~~drug~~ **drugs** ~~importation measures~~ **over time, establish an inflationary rebate program, and cap patient cost sharing under Medicare** . **The implementation of** ~~These~~ **these** ~~proposals might~~ **and other features of the IR Act may** result in significant changes ~~in~~ **to** the pharmaceutical value chain as manufacturers, pharmacy benefit managers, managed care organizations, and other industry stakeholders look to implement new transactional flows and adapt their business models **. Any such changes to arrangements involving our business as a result of this legislation, such as changes to our distribution agreements with manufacturers impacted by the IR Act, may materially affect our business. The extent of the effects of the IR Act remains uncertain due to a number of factors, including the potential for future regulations promulgated by the HHS to implement provisions of the IR Act. We continue to evaluate the impact of this law on our business** . Private challenges to government healthcare policy may also have significant impacts on our business. For example, over a dozen pharmaceutical manufacturers have unilaterally restricted sales under the 340B drug pricing program to contract pharmacies. The 340B drug pricing program requires manufacturers to offer discounts on certain drugs purchased by " covered entities, " which include safety- net providers. The ~~HRSA~~ **Health Resources and Services Administration** has taken the position that a covered entity may dispense such discounted drugs through multiple contract pharmacies. Starting in 2020, some manufacturers began to restrict such practices. **Some** ~~A number of~~ manufacturers and the HHS continue to litigate these issues. ~~So far, lower~~ **The U. S. Court of Appeals for the Third Circuit has ruled that Section 340B does not require discounts for an unlimited number of contract pharmacies. Two other** courts **of appeal are addressing this issue but** have **not yet ruled** ~~rendered somewhat conflicting opinions~~ . Provincial governments in Canada that provide partial funding for the purchase of pharmaceuticals and independently regulate the sale and reimbursement of drugs have sought to reduce the costs of publicly funded health programs. For example, provincial governments have taken steps to reduce consumer prices for generic pharmaceuticals and, in some provinces, change professional allowances paid to pharmacists by generic manufacturers ~~. Many European governments provide or subsidize healthcare to consumers and patients by regulating pharmaceutical prices, patient eligibility, or reimbursement levels to control government healthcare system costs. European governments are continuously reviewing measures to support the reduction of public healthcare spending. Such measures can exert pressure on pricing frameworks and reimbursement timelines for~~

~~pharmaceuticals, which in turn may impact customer behavior. There is substantial uncertainty about the likelihood and timing of any healthcare policy reform as each E. U. country operates in a separate healthcare environment~~ . Although there is substantial uncertainty about the likelihood, timing, and results of these health reform efforts, their implementation might have a materially adverse impact on our business operations and our financial position or results of operations. We might be adversely impacted by competition and industry consolidation. Our businesses face a highly competitive global environment with strong competition from international, national, regional **,** and local full- line, short- line, and specialty distributors, service merchandisers, self- warehousing chain drug stores, manufacturers engaged in direct distribution, third- party logistics companies, and large payer organizations. In addition, our businesses face competition from various other service providers and from pharmaceutical and other healthcare manufacturers as well as other potential customers, which may from time- to- time decide to develop, for their own internal needs, supply management capabilities that might otherwise be provided by our businesses. Due to consolidation, a few large suppliers control a significant share of the pharmaceuticals market. This concentration reduces our ability to negotiate favorable terms with suppliers and causes us to depend on a smaller number of suppliers. Many of our customers, including healthcare organizations, have consolidated **or joined group purchasing organizations** and have greater power to negotiate favorable prices. Consolidation by our customers, suppliers **,** and competitors might reduce the number of market participants and give the remaining enterprises greater bargaining power, which might lead to erosion in our profit margin. Consolidation might increase counter- party credit risk because credit purchases increase for fewer market participants. These competitive pressures and industry consolidation might have a materially adverse impact on our business operations and our financial position or results of operations. We might be adversely impacted by changes or disruptions in product supply ~~.Any of these risks might have a material adverse impact on our business operations~~ and ~~our financial position or results of operations.We may~~ have difficulties in sourcing or selling products due to a variety of causes.We might experience difficulties and delays in sourcing and selling products due to a variety of causes,such as:difficulties in complying with the legal requirements for export or import of pharmaceuticals or components;suppliers' failure to satisfy production demand;manufacturing or supply problems such as inadequate resources;and real or perceived quality issues. **For example,the FDA banned certain manufacturers from selling raw materials and drug ingredients or finished goods in the U.S.due to quality issues.** Difficulties in product manufacturing or access to raw materials **or finished goods** could result in supplier production shutdowns,product shortages **,** and other supply disruptions ~~.The FDA banned certain manufacturers from selling~~ . Our supply arrangements might be interrupted or adversely affected by a variety of causes over which we have no control, such as export controls or trade sanctions, labor disputes, unavailability of key manufacturing sites, inability to procure raw materials **or finished goods** , quality control concerns, ethical sourcing issues, supplier' s financial distress, natural disasters, **including as a result of climate change,** civil unrest or acts of war, the impact of epidemics or pandemics ~~, such as COVID- 19~~ , and other general supply constraints. Our inventory might be requisitioned, diverted, or allocated by government order such as under emergency, disaster, and civil defense declarations. ~~The FDA banned certain manufacturers from selling raw materials and drug ingredients in the U. S. due to quality issues. For example, government actions in response to the COVID- 19 pandemic affect our supply allocation, and those and our own allocation decisions can impact our customer relationships.~~ Changes in the healthcare industry' s or our suppliers' pricing, selling, inventory, distribution, or supply policies or practices could significantly reduce our revenues and net income. ~~We might experience disruptions in our supply of higher margin pharmaceuticals, including generic pharmaceuticals.~~ Any of these changes or disruptions might have a materially adverse impact on our business operations and our financial position or results of operations. We might be adversely impacted as a result of our distribution of generic pharmaceuticals. Our generic pharmaceuticals distribution business is subject to **both availability and** pricing risks. We might ~~be adversely~~ **experience disruptions in our supply of higher margin pharmaceuticals, including generic pharmaceuticals. We have been** impacted ~~if~~ **when, due to regulatory and supply chain challenges,** our **supplier partners are not able to deliver products that we have committed to purchase and source from them. Input cost increases and market shortages could result in** ClarusONE **, our** joint venture ~~is~~ **with Walmart Inc., being** unsuccessful **in sourcing product to meet the needs of** ~~or~~ **our** ~~experiences~~ **customers, or negatively impacting our** ~~margins~~ **margin** ~~declines~~ . Generic drug manufacturers ~~often~~ offer a generic version of branded pharmaceuticals ~~while they~~ **and routinely** challenge the validity or enforceability **of** branded pharmaceutical patents **in order to launch the drug pre- or post- loss of exclusivity** . ~~The patent~~ **Patent** ~~holder~~ **holders** ~~might~~ **have** ~~assert~~ **asserted** infringement claims against us for distributing those generic versions **they believed to have infringed a patent,** and the generic drug manufactures may not fully indemnify us against such claims. These risks **and outcomes** , as well as changes in the availability, pricing volatility, **regulatory** ~~reimbursement rates for generic drugs~~ , or significant changes in the nature, frequency **,** or magnitude of generic pharmaceutical launches, might have a materially adverse impact on our business operations and our financial position or results of operations. We might be adversely impacted by **changes in the economic environments in which we operate, including from** inflation, an economic slowdown, or **a** recession. Inflationary conditions result in increased costs and decreased levels of consumer commercial spending and, to the extent we are not able to offset such cost increases from our suppliers, increase the costs which we incur to purchase inventories and services. Inflationary pressure is increased by **factors such as** supply chain disruptions ~~and~~ **, including the** reduced availability of key commodities **, labor market tightness, and government policies that lower interest rates or do not raise them sufficiently to counteract inflation** . Cost inflation during **fiscal** ~~2022~~ **2023** generally increased our transportation, operational, and other administrative costs associated with our normal business operations. An economic slowdown or **a** recession could reduce the prices our customers are able or willing to pay for our products and services and reduce the volume of their purchases. ~~Recessionary pressure may be increased by~~ **In addition to rising inflation, rising interest rates,** the ~~COVID- 19 pandemic~~ **impact of recent banking failures or perceived failures** and ~~regional~~ **related contagion,** political ~~and~~ **tensions,** military conflicts **, and civil unrest may contribute to recessionary pressure** . ~~Any~~ **Changes in the** economic **environments in which we operate** ~~slowdown or recession and the impact of inflation~~ might have a materially adverse impact

on our business operations and our financial position or results of operations. ~~Disruption or other changes~~ **Changes** ~~in~~ **affecting** capital and credit markets might impede access to credit ~~and~~ **,** increase borrowing costs **, and disrupt banking services** for us and our customers and suppliers and might impair the financial soundness of our customers and suppliers. Volatility and disruption in global capital and credit markets, including the bankruptcy or restructuring of certain financial institutions, reduced lending activity by financial institutions, **reduced creditworthiness of our customers or suppliers,** or decreased liquidity and increased costs in the commercial paper market, might adversely affect ~~our~~ **the** borrowing ability and cost of borrowing **for us and our customers and suppliers** . We generally sell our products and services under short- term unsecured credit arrangements. An adverse change in general **or entity specific** economic conditions or access to capital might cause our customers to reduce their purchases from us, or delay or fail paying amounts owed to us. Suppliers might increase their prices, reduce their output **,** or change their terms of sale due to limited availability of credit. Suppliers might be unable to make payments due to us for fees, returned products, or incentives. ~~These risks are increased by the COVID- 19 pandemic and regional political and military conflicts.~~ Interest rate increases or changes in capital market conditions **, including as a result of macroeconomic events,** might impede our or our customers' or suppliers' ability or cost to obtain credit . Any of these risks might have..... resulting in product allocation and delivery delays . Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. We might be adversely impacted by tax legislation or challenges to our tax positions. We are subject to the tax laws in the U. S. at the federal, state, and local government levels and to the tax laws of ~~many~~ other jurisdictions in which we operate or sell products or services. Tax laws might change in ways that adversely affect our tax positions, effective tax rate, and cash flow. The tax laws are extremely complex and subject to varying interpretations. We are subject to tax examinations in various jurisdictions that might assess additional tax liabilities against us. Our tax reporting positions ~~might be~~ **are sometimes** challenged by relevant tax authorities, we might incur significant expense in our efforts to defend those challenges, and we might be unsuccessful in those efforts. Developments in examinations and challenges might materially change our provision for taxes in the affected periods and might differ materially from our historical tax accruals. Any of these risks might have a materially adverse impact on our business operations, our cash flows, and our financial position or results of operations. We might be adversely impacted by fluctuations in foreign currency exchange rates. We conduct our business in various currencies, including the U. S. dollar, **Canadian dollar,** ~~euro~~ **Euro** , **and** British pound sterling ~~and Canadian dollar~~ . Changes in foreign currency exchange rates could reduce our revenues, increase our costs, or otherwise adversely affect our financial results reported in U. S. dollars. For example, we are exposed to transactional currency exchange risk due to our import and export of products that are purchased or sold in currencies other than the U. S. dollar. We also have currency exchange risk due to intercompany loans denominated in various currencies. **Currency exchange rates** ~~The COVID- 19 pandemic~~ and ~~regional~~ **their volatility are affected by factors outside of our control, such as** political ~~and~~ **tensions,** military ~~conflict~~ **conflicts , ~~have affected~~** and **civil unrest** ~~might increase currency exchange rate volatility~~ . We may from time to time enter into foreign currency contracts, foreign currency borrowings **,** or other techniques intended to hedge a portion of our foreign currency exchange rate risks. These hedging activities may not completely offset the adverse financial effects of unfavorable movements in foreign currency exchange rates during the time the hedges are in place. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. ~~General Risk Factors~~ We might be adversely impacted by events outside of our control, such as widespread public health issues, natural disasters, political events, and other catastrophic events. We might be adversely affected by events outside of our control, including: widespread public health issues, such as epidemic or pandemic infectious diseases; natural disasters such as earthquakes, floods, or severe weather **, including as a result of climate change** ; political events such as terrorism, **political tensions,** military conflicts **, civil unrest** , and trade wars; and **by** other catastrophic events. These events can disrupt operations for us, our suppliers, our vendors, and our customers. They might affect consumer confidence levels and spending or the availability of certain goods or commodities. For example, ~~in February 2022,~~ the **war between** ~~Russian~~ **Russia and** ~~Federation began conducting military operations against~~ Ukraine ~~, resulting~~ **has resulted** in global economic uncertainty and increased ~~cost~~ **costs** of various commodities. **The** ~~As another example, the~~ COVID- 19 pandemic ~~affects~~ **impaired, and future pandemics might impair,** product manufacturing, supply, and transport availability and cost in unpredictable ways that depend on highly uncertain future developments. In response to these types of events, we might suspend operations, implement extraordinary procedures, seek alternate sources for product supply, or suffer consequences that are unexpected and difficult to mitigate. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. We may be adversely affected by global climate change or by legal, regulatory, or market responses to such change. The long- term effects of climate change are difficult to predict and may be widespread. The impacts may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well- being), compliance costs and transition risks (such as regulatory or technology changes), **costs for critical services (such as transportation costs),** and other adverse effects. The effects could impair, for example, the availability and cost of certain products, commodities **, transportation** , and energy (including utilities), which in turn may impact our ability to procure goods or services **, and transport those goods,** required for the operation of our business at the quantities and levels we require **. Proposed changes to federal acquisition regulations and securities reporting rules, for example, would impose increased costs to comply with reporting and disclosure requirements** . We bear losses incurred as a result of, for example, physical damage to or destruction of our facilities (such as distribution or fulfillment centers), loss or spoilage of inventory due to unusual ambient temperatures, and business interruption due to weather events that may be attributable to climate change. These events and impacts could **have a** materially adversely ~~affect~~ **impact on** our business operations ~~,~~ **and our** financial position ~~,~~ or results of operation. **McKESSON CORPORATION** ~~We might be adversely impacted by changes in accounting standards. Our consolidated financial statements are subject to the application of U. S. GAAP, which periodically is revised or reinterpreted. From time to time, we are required to adopt new or revised accounting~~

~~standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board (" FASB ") and the SEC. It is possible that future accounting standards may require changes to the accounting treatment in our consolidated financial statements and may require us to make significant changes to our financial systems. Such changes might have a materially adverse impact on our financial position or results of operations.~~